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Russian Federation

Grain and Feed

Russian Government Resolution on Temporary Export Duties on Wheat and Barley

2007

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Report Highlights:

In response to rising global grain prices and rising inflationary pressures, the Russian government issued Resolution Number 660 on October 10, 2007. The resolution increased wheat export tariffs to 10 percent of customs value, but not less than 22 Euros per metric ton, and barley export tariffs to 30 percent of customs value, but not less than 70 Euros per metric ton. Export tariffs will enter into force on November 12, 2007 and will last through April 30, 2008. Grain interventions will begin at about the same time the tariffs go into effect. In addition, a reduction of rail tariffs for Siberian-origin grain is under consideration.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Moscow [RS1]
[RS]

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Executive Summary

In response to rising global grain prices and inflationary pressures, the Russian government issued Resolution Number 660 on October 10, 2007, under which a wheat export tariff will be set at 10 percent of customs value, but not less than 0.022 Euros per kilogram. Export tariffs on barley are set at 30 percent of customs value, but not less than 0.07 Euro per kilogram. The *ad valorem* rates were announced by Minister of Agriculture Aleksey Gordeyev on October 10 (see GAIN report RS7068 Grain Export Tariffs Coming in November). The Euro minimum is an additional restriction on exports, and this minimum tariff will not allow exporters to beat the tariff by underdeclaring export prices.

Analysts have reported feverish wheat shipments since September as traders reacted to expectations of pending tariffs on grain exports. The rapid pace is expected to continue through October and early November as the resolution provides a one-month grace period for exporters. The new tariffs will last from November 12, 2007, through April 30, 2008. However, the Russian government may escalate measures to restrict wheat exports by early 2008, if the domestic grain market tightens. Additionally, when the government announces wheat interventions, exports of intervention-class wheat will be banned through the applicable period.

The resolution covers exports of wheat and barley from the territory of the Russian Federation, and the other member countries of the Customs Union Agreement¹. Thus, to implement the resolution requires export policy coordination among these countries, which may prove problematic.

The government is reportedly considering additional measures, including reduction of rail tariffs for cartage of Siberian-origin grain, and release of government grain stocks.

Text of Resolution Number 660 of October 10, 2007

Begin text:

Government of the Russian Federation
Resolution #660 of October 10, 2007

On Approval of Export Custom Tariffs on Wheat, Meslin, and Barley exported from the Territories of the Russian Federation and Members of the Custom's Union Agreement

The Government of the Russian Federation decrees the following:

1. To approve the attached export tariffs on wheat, meslin and barley, exported from the territories of the Russian federation and members of the Custom's Union Agreement.
2. The present resolution enters into force one month after its official publication, and will be in force through April 30, 2008.

Chairman of the Government
Of the Russian Federation

V. Zubkov

APPROVED
by the Government
of the Russian Federation
of October 10, 2007, #660

¹ . Members of the Customs Union Agreement are Russia, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan.

RATES

of Export Customs Tariffs on Wheat, Meslin, and Barley, Exported from the Territories of the Russian Federation and Members of the Custom's Union Agreement

Russia's TN VED codes	Names	Export Customs Tariff (percent of customs value or in Euro)
1001	Wheat and Meslin	10, but not less than 0.022 Euro per 1 kg
1003 00	Barley	30, but not less than 0.07 Euro per 1 kg

Other Measures

On October 16, Gennadiy Kulik, Chairman of the Agrarian Policy Committee of the State Duma (lower house of parliament), told Russian media the government will review rail tariffs for grain, since the harvest in Siberia was greater than expected, but the cost of transporting that grain to the major population centers of European Russia would "eat up the profits."

In addition, Minister of Agriculture Gordeyev announced to Russian media October 16 that grain interventions would get underway in early November, saying the decisions have already been made and would go into effect as soon as export tariffs on grain go into effect. Minister Gordeyev said government intervention stocks total about 1.5 million metric tons of grain, mainly milling quality wheat, but declined to speculate on how much would be put on the market.

Other Relevant Reports

RS7068 Grain Export Tariffs Coming in November
(as of this report's submission, not yet posted to the FAS website)

RS7320 Grain Interventions and Export Tariffs Likely
<http://www.fas.usda.gov/gainfiles/200709/146292480.pdf>

RS7059 Grain and Feed September Monthly Update
<http://www.fas.usda.gov/gainfiles/200708/146292218.pdf>